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C O N F I D E N T I A L OSLO 000387

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EUR/NB (MMCDOWELL), DEPARTMENT OF ENERGY (EROSI, TSARKUS,  
JGIOVE), INR/I (SMCCORMICK), EEB/ESC (SGALLOGLY)

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TAGS: [ECON](#) [ENRG](#) [EPET](#) [PGOV](#) [SENV](#) [IR](#) [NO](#)  
SUBJECT: NORWEGIAN ENERGY: IRAN, NEW MINISTER, STATE  
OWNERSHIP

REF: A. 7/10/08 EMAIL FROM KMJOHNSON

- [1](#)B. OSLO 129
- [1](#)C. OSLO 128
- [1](#)D. OSLO 126
- [1](#)E. 2007 OSLO 1086

Classified By: DCM Kevin M. Johnson, Reasons 1.4 (b) and (d)

[1](#)1. (C) Summary. The current focus on StatoilHydro's Iranian investments comes at a moment when the Norwegian petroleum industry has been shaken up in a series of recent events. Citing health reasons, while mired in a series of scandals, Petroleum Minister Haga stepped down, replaced by fellow Centre Party member Terje Riis-Johansen. The GON increased its ownership stake in StatoilHydro, the world's 9th largest energy company. StatoilHydro is proceeding with its Iranian South Pars project, maintaining that it will honor preexisting commitments, recoup investments, and then withdraw from Iran (Reftel C). The GON continues to state that StatoilHydro's engagement in Iran is a business transaction outside the government, despite the GON being the majority shareholder. End Summary.

New Minister, Low Expectations  
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[1](#)2. (C) Former Petroleum Minister (and Centre Party head) Haga publicly stepped down from office on June 20 after several scandals, including alleged home zoning violations, failed tax reporting, the improper rental of her cabin, and hiring consultants under dubious circumstances. As Minister, she was privately derided by energy producers and suppliers, and Petroleum Ministry officials, as overly-focusing on environmental matters and largely disinterested with hydrocarbon issues. Following an overall shake-up in PM Stoltenberg's left-of-center government, Riis-Johansen was appointed. An agricultural specialist by training, he is another Centre Party member and former Agriculture Minister. Energy industry insiders quietly inform us that he is an underwhelming choice, weak and easily influenced by Petroleum Ministry bureaucrats. That said, industry welcomes the selection, believing that the new Minister will trust the bureaucrats who understand, and appreciate, the need to focus on hydrocarbons. (Note: Norway is the third largest global exporter of gas and fifth of oil).

StatoilHydro in Iran: Business as Usual--then Exit, Stage Left?  
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[1](#)3. (C) The GON recently increased its ownership interest in energy giant StatoilHydro to 62.55 percent, and plans to eventually jump that up to 67 percent. Two GON-owned

companies, Statoil and Norsk Hydro, combined in October 2007 to form StatoilHydro (Reftels B-D). The company entered into the Iranian South Pars project in 2002, holding a 37 percent minority interest. The remainder is held by an Iranian government-owned holding company. StatoilHydro announced that, barring technological challenges, the project will go online in August, 2008. To date, the company has invested approximately \$520 Million USD in the project.

14. (C) Econ officer spoke with two senior StatoilHydro executives on July 10. Both indicated that the company will proceed with the project, recoup their investment costs, and then leave Iran. They emphasized that the company will honor their existing contractual commitments, but will enter into no other Iranian commitments. One exec stressed the project is "95 percent complete" and does not foresee anything hindering completion.

15. (C) When commenting on today's public decision by French energy giant Total to stop South Pars projects, both execs quickly pointed out that the French and Norwegian corporate interests in the projects were at different stages. Total was involved in earliest South Pars development stages, long since completed, while StatoilHydro is in the latest phases. Further, citing technological, commercial industry and negotiation delays and setbacks, StatoilHydro is two and a half years behind schedule. Calling the present situation "tricky," one exec commented that Helge Lund will not go to Tehran for any public ceremony, a highly irregular move, and atypical for the opening of any major project.

No Surprises?

16. (C) Reacting to U/S Burns recent Congressional testimony that the USG would conduct a "serious review" of StatoilHydro's involvement in South Pars, both executives emphasized that the project should not be viewed as a surprise. One exec noted that the company frequently consulted with State officials in DC on this matter, from the earliest project stages. The other exec called StatoilHydro's continued discussions with State a corporate "no surprises policy."

17. (C) Petroleum and Foreign Ministry officials have, in the past, noted that StatoilHydro's business decisions were a corporate decision, and outside government influences. On July 10, a senior Petroleum Ministry official confirmed that the GON had no official reaction to the South Pars development, although the government is aware that this is a sensitive USG matter.

Rough Waters Ahead?

18. (C) Comment. Post has consistently raised the issue of StatoilHydro's problematic Iranian investments with both StatoilHydro and the GON. The GON has maintained that StatoilHydro's Iranian investments are business decisions left to the company, and not a governmental issue. (Reftel E). Meanwhile, the company consistently has stated that it will conclude its pre-existing contractual commitments, and do no more in Iran. Corporate execs stress that they have informed State of the project from the earliest project stages. StatoilHydro also differentiates between the company's South Pars investment, and that of Total. The French giant has completed its project, and today's public statement relates to prospective investments. StatoilHydro's development stage is only now approaching on-line. The investment, particularly following U/S Burns' testimony has drawn significant local media interest, and Post has requested guidance on answering media inquires (Reftel A). Understanding the tumultuous nature of the South Pars project for the USG. StatoilHydro has sought a low public profile, not seeking to make waves and aiming to quietly go online. End Comment.

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